

# **SLOT DEPARTMENT**

STATE OF NEVADA  
GAMING CONTROL BOARD  
INTERNAL AUDIT COMPLIANCE CHECKLIST

**SLOT DEPARTMENT**

**GENERAL WALK-THROUGH PROCEDURES**

For the walk-through procedures, indicate (by tickmark) whether the procedures were confirmed through inquiry of licensee personnel, via observation of procedures, or examination of a completed document.

Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary. **Note W/P Ref.:** \_\_\_\_\_

All “no” and “n/a” answers require an explanation and disposition (e.g., approval of alternative procedure granted by the Board, including computerized applications). All exceptions noted should be carried to the internal auditor’s report/summary of findings for timely follow-up. **Note W/P Ref.:** \_\_\_\_\_

The bolded number following each question refers to the applicable regulation/statute.

**Scope**

This checklist must be completed once in each fiscal six-month period.

**MICS Variations and Regulation Waivers**

Obtain copies of MICS variation requests and GCB correspondence regarding such requests from appropriate property personnel. Review to determine status of evidence of any waivers or alternative requirements imposed by granted variations. Modify and/or perform additional procedures as applicable.

**Associated Equipment**

Determine if field trial or final approval has been received for all associated equipment used in the slot department. For all unreported associated equipment, cite violations of **Regulation 14.290**. If any associated equipment is currently on field trial, it is not necessary to perform a walk-through of the procedures in effect utilizing the field trial letter. For “approved” associated equipment, utilizing the final approval letter, perform a walk-through of any **special requirements** imposed on the use of the associated equipment including any additional controls which were included in the written system of internal control.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

**Note:** Variations/waivers and associated equipment need only be scheduled once. Refer to the work paper where the details are scheduled and complete the last two columns of the above grid if walk-through procedures are affected.

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**GENERAL WALK-THROUGH PROCEDURES**

	YES	NO	N/A	COMMENT, W/P REFERENCE	PERSON INTERVIEWED/ TITLE
1. Complete the CPA MICS Compliance Checklist for Slots - General Walk-through in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines".					
2. Review all theoretical holds in the most recent slot analysis report with a minimum of six months data. Do no hold percentages exceed 25%? <b>Regulation 14.040</b>					
<b>In-house Progressive Payoff Schedules</b>  3. Scan progressive meter readings for the most recent two weeks and determine that: <ul style="list-style-type: none"> <li>a. The amount of each progressive payoff schedule is recorded at least one time daily. <b>Regulation 5.110</b></li> <li>b. The payoff amount has not been decreased except as allowed by <b>Regulation 5.110</b>. (Any reduction should be supported by appropriate documentation.)</li> </ul>					

**E = Confirmed via examination/review**  
**I = Confirmed via inquiry**  
**O = Confirmed via observation**

	Initials	Date
Prepared by		

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	YES	NO	N/A	COMMENT, W/P REFERENCE	PERSON INTERVIEWED/ TITLE
4. Is a record of the base amount for each progressive payoff schedule maintained? <b>Regulation 5.110</b>					
<b>Surveillance</b>					
5. Is adequate video surveillance provided over the slot area? <b>Regulation 5.160(9) and Surveillance Standard #1</b>					
6. <b>Free Play and Promotional Items</b>  If free play or promotional items are <u>currently</u> being offered, is the accounting treatment proper? <b>NRS 463.0161, NRS 463.3715 and Regulation 6.110</b>					
<b><u>Procedures Modified or Added</u></b>					

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**DROP AND COUNT WALK-THROUGH PROCEDURES**

For the walk-through procedures, indicate (by tickmark) whether the procedures were confirmed through inquiry of licensee personnel, via observation of procedures, or examination of a completed document.

Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary. **Note W/P Ref.:** \_\_\_\_\_

All “no” and “n/a” answers require an explanation and disposition (e.g., approval of alternative procedure granted by the Board, including computerized applications). All exceptions noted should be carried to the internal auditor’s report/summary of findings for timely follow-up. **Note W/P Ref.:** \_\_\_\_\_

The bolded number following each question refers to the Minimum Internal Control Standards for Internal Audit, Version 4, or the applicable regulation/statute.

**Scope**

This checklist must be completed once in each fiscal six-month period for both hard and currency acceptor drop/count observations.

**MICS Variations and Regulation Waivers**

Obtain copies of MICS variation requests and GCB correspondence regarding such requests from appropriate property personnel. Review to determine status of evidence of any waivers or alternative requirements imposed by granted variations. Modify and/or perform additional procedures as applicable.

**Associated Equipment**

Determine if field trial or final approval has been received for all associated equipment used in the slot department. For all unreported associated equipment, cite violations of **Regulation 14.290**. If any associated equipment is currently on field trial, it is not necessary to perform a walk-through of the procedures in effect utilizing the field trial letter. For “approved” associated equipment, utilizing the final approval letter, perform a walk-through of any **special requirements** imposed on the use of the associated equipment including any additional controls which were included in the written system of internal control.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

**Note:** Variations/waivers and associated equipment need only be scheduled once. Refer to the work paper where the details are scheduled and complete the last two columns of the above grid if walk-through procedures are affected.

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**DROP AND COUNT WALK-THROUGH PROCEDURES**

	YES	NO	N/A	COMMENT, W/P REFERENCE	PERSON INTERVIEWED/ TITLE
1. Complete the CPA MICS Compliance Checklist for Slots - Hard Drop and Count Observation or the CPA MICS Compliance Checklist for Slots - Currency Acceptor Drop and Count Observation, as appropriate, in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines".					
<b>Time Drop Commenced:</b> <b>Coin:</b> _____ <b>Currency:</b> _____  2. Was the removal of the drop buckets/currency acceptors from the slot machines performed at the time previously submitted by the licensee to the Board per <b>Regulation 6.130?</b>					
<b>Time Count Commenced:</b> <b>Coin:</b> _____ <b>Currency:</b> _____  3. Was the count of the drop buckets/currency acceptors from the slot machines performed at the time previously submitted by the licensee to the Board per <b>Regulation 6.130?</b>					

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4. During the unannounced count observation, perform a test of the weigh scale and weigh scale interface and/or the count room currency counter and currency counter interface, as applicable. Were the test results accurate? <b>MICS #6b</b>					
5. Did all count team members have valid work cards available for inspection? <b>Regulation 5.100(3)</b>					
<b>Surveillance</b>  6. Is adequate video surveillance provided over the hard/soft count area? <b>Regulation 5.160(9) and Surveillance Standard #7</b>					
<b><u>Procedures Modified or Added</u></b>					

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**TESTING PROCEDURES**

**OBJECTIVES:** To determine if controls for the slot department are adequate to ensure slot revenues are accurately stated in financial records and comply with the MICS.

**PREPARATION:** Review the MICS variations and regulation waivers scheduled during the slot department general walk-through procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedure modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the "Walk-through Procedures Checklist".

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

**SCOPE:** Unless otherwise indicated, select 1 day during the fiscal six-month period. Select an additional day, if necessary, to include both hard count and currency acceptor count documentation. **Note Test Date:** \_\_\_\_\_

**COMPLETION:** Using your own work papers, document the completion of the procedures listed below. All exceptions noted should be carried to the internal auditor's report/summary of findings for timely follow-up. **Note W/P Ref:** \_\_\_\_\_

	W/P Reference/Comments	Auditor's Initials/Date
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow-up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary.		



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2. Foot weighed/metered count sheets or tapes for one denomination. Trace totals for each denomination to the slot analysis report. If the count sheet is manually prepared, all denominations must be footed.		
3. Trace the total per the currency acceptor count sheet to the total in the slot analysis report. If the count sheet is manually prepared, all denominations must be footed, cross-footed and traced.		
4. Trace wrapped count and currency acceptor final count to the cage accountability or cash summary sheets.		
<p>5. Trace all of the employees' names whose signatures appear on the count documentation to the quarterly count personnel list required by <b>Regulation 6.130</b>.</p> <p><b>Note:</b> If the test date falls in the current quarter and an employee was hired during the current quarter, indicate the date the employee started in the count and complete the step for this employee during the next slot department contact.</p>		
6. For any leased machines, verify that 100% of win is included in reported revenue.		
7. Total the jackpot tickets (including promotional payout slips, if appropriate) and slot fill slips and trace the total to the slot analysis report.		
8. Examine jackpot payout tickets for progressive payouts. Obtain progressive meter readings sheets or payoff schedules and determine whether the payout was valid.		
9. If multi-part forms are used, look for evidence that all copies of manually-prepared jackpot payout tickets, short pay tickets and fill slips match.		

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10. Foot one denomination and cross-foot the totals for all denominations on the slot analysis report and ensure that the win/loss is properly computed. <b>Note:</b> This procedure need only be done for one of the two test dates selected for the fiscal year.		
11. Trace the win/loss, including the currency acceptor results, (or drop and fill/jackpot amounts) on the slot analysis report to the monthly revenue journal.		
12. If any free play or promotional items were in effect on the test date, determine that the accounting treatment was proper and that win/loss was properly computed.		
13. For the month in which the test day was selected, foot the win/loss amount(s) (or drop and fill/jackpot amounts) in the monthly revenue journal. Trace the win/loss (or drop and fill/jackpot amounts) from the monthly revenue journal to the NGC tax reports. Examine general ledger accounts for the propriety of any activity that affects reported revenue.  <b>Note:</b> If the monthly revenue journal is a computerized document, footing need only be done for one of the two test dates selected for the fiscal year.		
14. If Board approval has been granted to report revenue on any type of accrual basis (e.g., allocation of a single cash drop to days in more than one month, use of meters to estimate currency acceptor drop, etc.) test the accuracy of the accruals and ensure that the subsequent month's revenue is properly affected. Include an examination of records used to support the accrual. Test for compliance with any conditions included in the approval letter.		

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15. Perform an inventory of all slot machine coin drop and reserve base cabinet keys; currency acceptor drop box release, storage rack and contents keys; and currency acceptor count room keys. Compare to records of keys made, issued and destroyed. Make sure all keys are accounted for and there are no extra keys.		
16. For computerized systems, obtain the personnel access listing:  a. For computerized systems that have group profiles (job specific profiles), select five group profiles and determine whether the job functions (rights) assigned to the group profile are appropriate for the group. In addition, select one employee from each of the groups and determine whether the group profile is appropriate for the employee.  b. For computerized systems that have individual profiles (profiles are customized for each employee), select ten employees, encompassing as many positions as possible, and determine whether the job functions (rights) assigned to each employee are appropriate for the employee.  c. Verify that inactive employees have been deleted.		

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<p>17. Using a listing of slot machines by type, select 15 machines. The sample selected should represent 15 of the most common types currently on the floor.</p> <p>For each machine selected:</p> <ul style="list-style-type: none"><li>a. Obtain the theoretical hold work sheet (par sheet), test the actual reel strip settings and trace the payout schedule from the machine to the work sheet. Review the work sheets for propriety of theoretical hold.</li><li>b. Trace theoretical hold percentages from the worksheets to the slot analysis reports.</li><li>c. Verify that the theoretical hold percentages recorded in the slot analysis report are the same within each type.</li><li>d. Examine the chip and determine if labeled with the GCB lab approval number.</li></ul>		
<p>18. For five of the machines selected above read and test the proper progression of coin-in meters and bill-in meters.</p> <p>If an on-line slot monitoring system is used, ensure that the proper meters are read and verify that the on-line meters are progressing at the same rate as the appropriate hard or soft meters on the machines.</p>		

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<p>19. For manually-read coin-in meters, select a sample of 15 machines from the meter reading sheets, calculate the coin-in and trace to the slot analysis reports.</p> <p>a. Where meter readings are taken daily and the slot analysis reports reflect week-to-date coin-in, foot in-meter readings for seven days and compare totals to week-to-date information for two nonconsecutive weeks.</p> <p>b. Where meter readings are taken weekly and the slot analysis reports reflect month-to-date coin-in, foot the weekly sheets and compare totals to month-to-date information for one month.</p>		
<p>20. For computerized slot analysis systems with automated (on-line) slot meter readings, foot the reports and roll forward the weekly or monthly coin-in totals in the reports for one machine and trace to month-to-date, quarter-to-date, year-to-date and (if applicable) inception-to-date totals to verify the computer's accuracy.</p>		
<p>21. For one denomination, determine that the floor par is the sum of the theoretical hold percentages of all machines weighted by coin-in contribution.</p> <p><b>Note:</b> This procedure need only be done for one of the two test dates selected for the fiscal year.</p>		
<p><b><u>Procedures Modified or Added</u></b></p>		